



California Public Utilities Commission

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PUC JUDGE APPROVES SETTLEMENT AGREEMENT WITH PACIFIC BELL AND SUBSIDIARIES OVER DSL SERVICE

An Administrative Law Judge (ALJ) for the California Public Utilities Commission (PUC) late last week approved a settlement agreement with Pacific Bell Telephone Company (Pacific Bell), Pacific Bell Internet Services (PBI), and SBC Advanced Solutions, Inc. (ASI) that includes a \$27 million fine for admitted wrongdoing concerning the companies' billing for Digital Subscriber Line (DSL) service.

The agreement settles a complaint brought by the Utility Consumers' Action Network (UCAN) and a formal investigation launched by the PUC's Consumer Protection and Safety Division and is designed to protect consumers and provide a penalty substantial enough to ensure future compliance with all applicable laws.

Under the settlement agreement, Pacific Bell, PBI, and ASI acknowledge billing problems and reporting deficiencies, and agree to pay a \$27 million penalty to the State General Fund. In addition to the fine, the companies have agreed to other remedial measures, including:

- A credit for the next two years of either \$25 or one month of DSL service for customers who experience future DSL billing errors – double those amounts when the problem is not timely corrected;
- Customer recourse to the Commission's expedited complaint process for resolving related disputes;
- A tracking and reporting requirement, applicable to all residential and up to 20-line business customers, and a 60-day implementation timeframe and two-year sunset provision;
- Establishing business and residential DSL Internet billing centers dedicated to handling billing inquiries for PBI's DSL Internet services;
- Improved disconnection notices; upgraded DSL order-confirmation, billing, collection, problem resolution, and customer complaint recording and reporting procedures.

Pacific Bell, PBI, and ASI acknowledged that from January 2000 to the present, an estimated 30,000 to 70,000 customers complained about and/or experienced billing errors. The companies also acknowledged that some of those complaints were not resolved in a timely manner and/or required multiple calls and substantial investment of time to resolve, and that certain customers experienced unresponsive service, such as long waiting queues, delays on hold, transfers to other departments, unreturned calls, full voice mail boxes, and the inability to resolve their problem without having to wait on the phone.

The companies also admitted that certain customers experienced inappropriate applications of toll restriction for outstanding DSL-related charges, and that disconnect notices were sent to customers that might have led them to believe that their basic service would be disconnected for non-payment of DSL Internet charges or that a security deposit was required.

Pacific Bell, PBI, and ASI also acknowledged that they did not always maintain and submit to the Commission accurate data on consumer complaints, including the amount of complaints the companies received.

The ALJ's decision will go into effect automatically unless a party files an appeal of the decision within 30 days.

HISTORY

On January 7, 2002, UCAN filed a complaint against Pacific Bell citing various allegations concerning Pacific Bell's billing, customer service, disconnection and marketing practices, and tariff inadequacies relating to Pacific Bell's DSL service.

On January 23, 2002, the Commission opened an investigation into, among other things, various DSL and Internet service billing and customer service-related practices by Pacific Bell and its affiliates, PBI and ASI.

UCAN and Commission staff submitted to the Commission extensive prepared testimony, including dozens of declarations from California consumers who had made complaints alleging DSL Internet service-related billing errors, an analysis of hundreds of DSL billing-related consumer complaints received by the Commission. The companies provided prepared testimony from eight individuals familiar with the company organizations and practices that played a role in their DSL billing problems.

The parties subsequently began negotiations to successfully resolve all issues.

The settlement agreement is on the Commission's website at www.cpuc.ca.gov.

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